

Doing business should not be hard

Govt should focus on making entrepreneurship easy and hassle-free

At a time when the country should be supporting entrepreneurs to bolster its faltering economy, it is disheartening to learn that they are facing unnecessary hurdles in their way, costing them both time and money. According to the findings of a study on the state of doing business in Bangladesh, there are a number of regulatory barriers that make entrepreneurship quite cumbersome. These observations are meant to not only bring forth the plight of domestic entrepreneurs, but also to show where reforms are essential, of which the government must take note.

For example, the research paper points out that entrepreneurs have to pay six times more than the official rates to obtain licences and permits from various government agencies in order to do business. Astonishingly, if someone wants to set up a garment factory, they need to obtain no fewer than 20 licences! Imagine shuttling back and forth between different agencies in search of the licences, which often require paying hefty sums in bribe. Another big barrier is obtaining finance: on top of going through a complex process to obtain loans from banks, entrepreneurs have to face the added difficulty of getting the loans at competitive rates, because most banks are burdened with massive amounts of defaulted loans.

The question is, why are entrepreneurs being forced to pay so much to start their undertaking? Where is the extra money going? And why do they have to submit all of their documents every time they need to renew a licence? What is the point of digitisation if the documents are not kept on record? It is clear that corruption has a big part to play here, as highlighted by several other studies. These obstacles are not just affecting domestic entrepreneurs, but foreign investors too. Germany, for example, is yet to find Bangladesh as an attractive investment destination. That is why Bangladesh lags behind its competitors such as Indonesia, Vietnam and India in getting German investment.

To ensure ease of business, barriers like these must be removed. When the country is struggling with a persistent rate of unemployment, entrepreneurship, particularly youth entrepreneurship, can make a huge difference. With the right support, small and medium entrepreneurs can contribute to creating employment and increasing export earnings for the country. All they need is a supportive entrepreneurial ecosystem across all sectors. The convoluted processes of licensing must be streamlined so that entrepreneurs, both seasoned and aspiring, don't have to go through unnecessary hassles.

How long must we suffer project delays?

Dhaka-Sylhet expansion work plagued by land acquisition issues

The setbacks facing two projects meant to expand the Dhaka-Sylhet-Tamabil highway would appear familiar, if exasperatingly so by now, to those following the trends of infrastructure development in Bangladesh. According to a report by this daily, work on the road corridor—which is part of the Asian Highway 1 linking parts of India to Bangladesh—is being significantly hampered due to issues with land acquisition and the relocation of utility lines. This has led to compensation claims and requests for time extensions by contractors as they, and the taxpayers by extension, face increased costs and inevitable delays in the end because of these issues.

The irony here is that the Roads and Highways Department (RHD) took up another project precisely to avoid this scenario. Usually, land acquisition and utility relocation are part of the work of the infrastructure project in question. But the RHD took up the separate project in September 2018 to take care of these preliminary tasks, so that actual work could be started as soon as the expansion projects were approved. That didn't happen. Reportedly, while the Tk 20,500 crore expansion projects were initiated in 2020-2021, the land acquisition project, far from laying the groundwork for those projects, was itself marred by frequent delays. It has been revised twice since, taking its budget from Tk 3,586.04 crore to Tk 7,975.31 crore and deadline from December 2020 to December 2025. This is totally unacceptable.

So far, for the Dhaka-Sylhet section, only around 60 acres of the required 829.83 acres of land have been handed over, while no land has been handed over for the Sylhet-Tamabil section yet. While we understand that the process of land acquisition can be complex due to legal and procedural hurdles, the excruciatingly slow pace of work on display here is anything but normal. It shows how disorganised, unplanned and uncoordinated the whole undertaking has been. This is not only straining public resources and delaying promised benefits from highway expansion, but also making a mockery of the government's pledge to ensure timely execution of its projects.

We cannot continue to let bureaucratic inefficiencies or corruption, which often complicates matters related to land acquisition, stymie our development trajectory. We urge the higher authorities to take the issue of project delays seriously. Strict adherence to deadlines and budget plans must be enforced in all its infrastructure projects, and there must be a concerted effort to streamline and expedite the land acquisition process.

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BANGLADESH'S EXTERNAL DEBT MANAGEMENT

Time for a cautious approach



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Bangladesh's outstanding external public and publicly guaranteed (PPG) debt, at \$79 billion as of September 2023, is not high when compared to economies of similar size. The amount, equivalent to about 17 percent of the country's GDP, is not an outlier when compared to corresponding figures for other developing countries and lower-middle-income countries (LMICs). However, if the recent growth trend of its external debt-servicing obligations is taken into consideration, the management of external sovereign debt should demand closer attention.

Indeed, in recent years, issues of external debt-servicing and debt-carrying capacity have emerged as a global concern in policy circles. A review of the literature shows that many low-income countries could face debt distress and fall into the dreaded middle-income trap for various reasons, including post-Covid recovery challenges, adverse implications of the Russia-Ukraine war on the domestic economy and balance of payments scenario, and the way external sovereign debt is being managed by some of these countries. In this context, and in view of emergent trends, there is a need for being strategic in managing Bangladesh's external borrowings, sovereign debt-servicing, and the country's debt-carrying capacity.

To note, Bangladesh's PPG debt increased from \$44.5 billion to \$70.8 billion between FY2018-19 and FY2022-23—a 60 percent rise in four years. Over the corresponding period, interest payment increased from \$0.48 billion to \$1.31 billion, an increase of about 168 percent, while payment of the principal amount posted a rise of about 48 percent. The country's debt-servicing payments in the first nine months of the current fiscal year has gone up by 49 percent compared to the matched period of the preceding year, with interest payments rising by 117 percent and principal payments posting a growth of 22 percent. The pressure of external sovereign debt-servicing is set to rise further over the near future, given the current low levels of foreign exchange reserves, slowed growth of earnings from goods and service exports, higher costs of borrowings, and the grace period of some of the significantly large foreign loans for infrastructure projects coming to an end, like the Rooppur Nuclear Power Plant, commissioned in 2016, and the Padma Rail Link Project, commissioned in 2018.

A key factor driving the rising debt-

servicing obligations of Bangladesh originates from the country's middle-income graduation. Bangladesh graduated from low-income country (LIC) to lower-middle-income country (LMIC) status in 2015, according to the World Bank (WB) classification. A recognition of the country's impressive economic achievements, middle-income graduation implied that it was no longer eligible for the highly concessional IDA (International Development Association) loans from WB (at about 0.7 percent annual interest, with grace period of up to 10 years, and maturity period of up to 40 years). Consequently, Bangladesh has transitioned from IDA-eligible country to a Gap Country, with terms of borrowings becoming increasingly stringent. The country is expected to

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graduate to the World Bank's relatively high-cost IBRD (International Bank for Reconstruction and Development) country category over the next few years. As a matter of fact, costs of borrowing from both multilateral and bilateral sources have already started to rise significantly.

Additionally, debt-servicing obligations have become more onerous for external-funded projects that generate income in local currency. Moreover, time and cost escalation, a rather common phenomenon in Bangladeshi project implementation, means that project cost ends up being considerably higher than what is initially planned.

Thus, a number of factors including increasingly large amount of external borrowings, higher interest rates, more stringent terms of borrowings, upward revision of project costs and others

have combined to trigger a sharp rise in Bangladesh's debt repayment obligations.

It is true that the country's LDC graduation, set to take place in November 2026, does not have direct implications for access to, and the terms of, external borrowings. Country status for purposes of external borrowings is exclusively based on per

Economic Relations Division (ERD) of the Planning Commission has developed a formula to assess the terms of loans: loans exceeding 25 percent threshold is considered to be non-concessional. Non-concessional loans must be appropriately justified when negotiated.

Outside of these sources, Bangladesh will also need to proactively pursue



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capita GNI. However, the challenges that the export sector anticipates on account of LDC graduation, originating from preference erosion and the consequent impacts on export earnings and forex reserves, will have to be taken into cognisance in estimating the country's debt-carrying capacity. All efforts should be geared towards maintaining Bangladesh's current status as a country in the "Medium" category of the IMF's debt-carrying capacity classifications, and averting the likelihood of falling into the "Weak" category.

Bangladesh's future sovereign debt management strategy should be informed and guided, firstly, by the need to explore opportunities of additional borrowings from new sources, like the Asian Infrastructure Investment Bank or the New Development Bank—of which Bangladesh is a member, and from which it has already taken loans for a number of projects—and diversify its loan portfolio. Interest rates and lending terms should be carefully examined if this approach is taken. Particularly, loans with flexible interest rates must be weighed with due care to assess their future implications in terms of liabilities and debt-servicing obligations. Whether to go for fixed or flexible interest rates will need to be carefully weighed as well.

Both terms of borrowings and quality of investment will need to be carefully examined as well. The lender selection process must be rigorous. Every effort should be made to ensure that projects are completed on time, and that accountability is enforced.

Negotiation of loans that are of the non-concessional type must be pursued with caution and care. The

opportunities of getting support from target-oriented funds set up globally, such as the Loss and Damage Fund announced at COP28.

However, loans with components that include learning tours, unnecessary procurement, cash disbursement, etc need to be carefully monitored, and, whenever possible, discarded. Loans incurred by various government entities that are underwritten by sovereign guarantee needs to be carefully monitored. While loans that are taken to support the budget allow flexibility in undertaking expenditure, the government must ensure transparency and accountability in the usage of such funds. Loans with conditionalities such as single source procurement should be properly scrutinised to assess their implications for the economy—for example, whether the raw materials and intermediate goods are available locally, at lower prices, and ensure good value for money.

Finally, human resources, expertise and analytical capacities to deal with external debt management issues and assess the country's debt-carrying capacity will need to be further strengthened in view of the anticipated challenges, now and in the future. It is good that the Ministry of Finance, Bangladesh Bank and the ERD prepare periodic reports on the country's debt status and debt service-related data, including those concerning external borrowings. The usability of these reports for policymakers may be further improved by raising the quality of data generated, standardising the reporting process, and undertaking evidence-based rigorous analyses and projections.

Planting trees during heatwaves is not a good idea



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Recently, as the mercury continued to hit 40 degrees Celsius and above, and a heatwave scorched the country, discussions on tree-planting as a potential solution became popular. Indeed, trees can cool the environment by providing shade and acting as water sprinklers. A tree canopy can block the input of shortwave solar radiation to the ground by about 60-90 percent, and canopy shading can reduce the local temperature by about 3.06 degrees Celsius. Trees also draw groundwater through their roots, use some for their internal functions, and release the excess water through microscopic leaf pores; the process is called transpiration. The water released through transpiration can reduce the local temperature by about one to eight degrees Celsius. In fact, one can feel a tree's shading and transpiration mediated cooling effects within 10 metres of the tree's canopy.

That being said, canopies of some trees are large, others are small, some are thin, and others are thick. So, the

ability of a tree to block the incoming solar radiation varies between tree species. Besides, solar radiation that passes through a tree canopy reflects on the ground and impacts the cooling effect. A grassy surface can absorb more solar radiation than a brick or an asphalt surface. Accordingly, the cooling effect of the same tree can be higher on grassy grounds than on brick or asphalt surfaces. The transpiration rates of trees also vary among species. So, trees' ability to combat heatwaves depends on species and location, and every tree counts.

A recent discussion on social media about organising a movement to plant one crore trees across the country is praiseworthy. It is a novel effort towards building a climate-resilient and green Bangladesh. If planting so many trees sets a record and introduces us as an environment friendly nation on the world stage, we should be proud. However, unless we plant large trees with intact canopy and roots, we should not expect such a tree-planting

effort to have any immediate cooling effect to counteract the present or forthcoming heatwaves in the next few years. We must understand that combating heatwaves through tree-planting is a long-term process, not an overnight solution.

In fact, when discussing tree-planting, we typically consider planting seedlings with only a few leaves. These seedlings can do little to cool the environment. Instead, seedlings need shade and moisture to thrive. While some seedlings can withstand some degree of dryness for some time, planting those in the middle of a heatwave or during the dry season would likely result in the death of those seedlings. In fact, saplings or trees could also die during a heatwave because the higher the air temperature, the more a tree transpires and reaches a point where it cannot draw underground water fast enough to support its internal functions.

Yet, surprisingly, the discussion on planting trees continued during the heatwave last month. The decision to plant trees in the middle of a heatwave can only be justified either by a gross misconception that planting trees would immediately cool our environment or by sheer ignorance about the technicalities of tree-planting.

We must not forget that Bangladesh's Forest Department is the ultimate authority with vast

experience and technical expertise in tree-planting. They launch their yearly tree-planting campaign during the rainy season with remarkable success, and they do so based on their research and experience. So, while I applaud the idea of planting one crore trees, I suggest abandoning the idea of executing it in the middle of the dry season. The rainy season is the ideal time for the task.

In fact, it would be wise to combine such an initiative with the Forest Department's yearly tree-planting campaign to make the whole effort a grand success. This way, we can set an example of collaborating with different segments of society towards achieving the common goal of a climate-resilient and green Bangladesh.

The climate of Earth is warming. Frequent and intense heatwaves are becoming the new normal. While artificial infrastructures can provide temporary comfort, they are not the solution in the long run. While the monetary value of most infrastructures depreciates over time, trees' value increases over time. So, we should plant trees. But we must plant the right tree at the right time and place. We must understand that while we may proudly set a world record by planting a crore of trees, planting them during the dry season and in the middle of a heatwave might lead to another world record of seedling death.